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 NATIONAL INVESTMENT CONSULTANTS, INC.,
 And WEI M. TSE a.k.a. RAYMOND TSE, and for
 Relief Defendant THERESA C. WONG

**UNITED STATES DISTRICT COURT
 NORTHERN DIVISION OF CALIFORNIA
 SAN FRANCISCO DIVISION**

U.S. COMMODITY FUTURES TRADING
 COMMISSION and THE COMMISSIONER OF
 CORPORATIONS OF THE STATE OF
 CALIFORNIA,

Plaintiffs,

vs.

NATIONAL INVESTMENT CONSULTANTS,
 INC, a California corporation, PACIFIC BEST
 GROUP LTD, a.k.a. PACIFIC BEST COMPANY
 LTD, a British Virgin Islands Corporation, YI
 KERRY XU, an individual, RUN PING ZHOU
 a.k.a. FLORA ZHOU, an individual, and WEI M.
 TSE a.k.a. RAYMOND TSE, an individual,

Defendants,

And

THERESA C. WONG, an individual,

Relief Defendant.

CASE NO.: 052641 JSW

**DEFENDANTS' NATIONAL
 INVESTMENT CONSULTANTS, INC.,
 WEI M. TSE a.k.a. RAYMOND TSE, and
 Relief Defendant THERESA C. WONG'S
 ANSWER TO PLAINTIFFS' COMPLAINT**

JURY TRIAL DEMANDED

**Judge: Hon. Jeffrey S. White
 Complaint Filed: June 29, 2005**

ANSWER

Defendants National Investment Consultants, Inc. ("NICT"), Wei M. Tse a.k.a. Raymond Tse ("Tse"), and Relief Defendant THERESA C. WONG (hereinafter "Defendants") answers the allegations contained in Plaintiffs' Complaint as follows:

I. SUMMARY

1. Answering paragraph 1 of the Complaint, Defendants deny each and every allegation contained therein.

2. Answering paragraph 2 of the Complaint, Defendants deny that they have made material misrepresentations and/or omissions or that they have engaged in acts or practices in violation of the Commodity Exchange Act's anti-fraud provisions. The remaining allegations of paragraph 2 state legal conclusions to which no answer is required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or accurately characterized the law.

3. Paragraph 3 of the Complaint states legal conclusions to which no answer is required. To the extent an answer is required, Defendants deny the allegations of this paragraph of the Complaint.

4. Paragraph 4 of the Complaint states legal conclusions to which no answer is required. To the extent an answer is required, Defendants deny the allegations of this paragraph of the Complaint.

5. Answering paragraph 5 of the Complaint, Defendants deny each and every allegation contained therein.

II. JURISDICTION

6. Paragraph 6 of the Complaint states legal conclusions to which no answer is required. To the extent an answer is required, Defendants deny the allegations of this paragraph of the Complaint.

7. Paragraph 7 of the Complaint states legal conclusions to which no answer is required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or accurately characterized the law.

1 8. Paragraph 8 of the Complaint states legal conclusions to which no answer is
2 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
3 accurately characterized the law.

4 9. Paragraph 9 of the Complaint states legal conclusions to which no answer is
5 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
6 accurately characterized the law.

7 **III. INTRADISTRICT ASSIGNMENT AND VENUE**

8 10. Paragraph 10 of the Complaint states legal conclusions to which no answer is
9 required. To the extent an answer is required, Defendants admit that at least one individual
10 defendant lives in the District, but otherwise Defendants deny the allegations of this paragraph of
11 the Complaint.

12 **IV. THE PARTIES**

13 **A. Plaintiffs**

14 11. Paragraph 11 of the Complaint states legal conclusions to which no answer is
15 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
16 accurately characterized the law.

17 12. Paragraph 12 of the Complaint states legal conclusions to which no answer is
18 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
19 accurately characterized the law.

20 **B. Defendants**

21 13. Answering paragraph 13 of the Complaint, Defendants admit that Pacific Best
22 Group Ltd., a.k.a. Pacific Best Company Ltd. is or was a British Virgin Islands Company with a
23 registered office situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola,
24 British Virgin Islands. Defendants further admit that Tse was an employee of Pacific Best and that
25 Pacific Best through NICI opened accounts for customers to trade foreign currency. Defendants
26 admit that Pacific Best has never been registered with the Commission or the State of California.
27 Except as so admitted, Defendants deny each and every allegation contained in Paragraph 13.
28

1 14. Answering paragraph 14 of the Complaint, Defendants admit that National
2 Investment Consultants, Inc., was incorporated in California on February 2, 2004 and has its
3 principal place of business at 300 Montgomery Street, Suite 660, in the City and County of San
4 Francisco. Defendants admit that NICI's website is located at www.nationalinv.com and that the
5 website stated that NICI was "the communication link between customers and Pacific Best
6 Company Ltd." Defendants admit that NICI has never been registered with the Commission or the
7 State of California. Except as so admitted, Defendants deny each and every allegation contained
8 in Paragraph 14.

9 15. Answering paragraph 15 of the Complaint, Defendants admit that South China
10 Investments, Inc., was incorporated in California on November 9, 2000 and had its principal place
11 of business at 300 Montgomery Street, Suite 730, in the City and County of San Francisco.
12 Defendants lack sufficient information or knowledge as to the remainder of the allegations
13 contained in paragraph 15 and, on that basis denies the allegations set forth in Paragraph 15 of the
14 Complaint.

15 16. Answering paragraph 16 of the Complaint, Defendant is informed and believes, and
16 therefore, on this basis, admits the allegation that Xu is a California resident and that she was an
17 employed as an account executive with NICI for a period of time. As to the remainder of the
18 allegations contained in paragraph 16 of the Complaint, Defendants lack sufficient knowledge or
19 information to form a belief as to their truth or falsity, and on that basis denies the remainder of the
20 allegations contained in paragraph 16.

21 17. Answering paragraph 17 of the Complaint, Defendant is informed and believes, and
22 therefore, on this basis, admits the allegation that Zhou is a California resident. As to the
23 remainder of the allegations contained in paragraph 17 of the Complaint, Defendants lack
24 sufficient knowledge or information to form a belief as to their truth or falsity, and on that basis
25 denies the remainder of the allegations contained in paragraph 17, except to the extent Exhibit A
26 to Plaintiffs' Complaint speaks for itself.

27 18. Answering paragraph 18 of the Complaint, Defendant is informed and believes, and
28 therefore, on this basis, admits the allegation that Tse is a California resident and his last known

1 address is 88 Howard Street #809, San Francisco, California. Defendants admit that Tse has never
 2 been registered with the Commission or the State of California. Except as so admitted, Defendants
 3 deny each and every allegation contained in Paragraph 18.

4 **C. Relief Defendant**

5 19. Answering paragraph 19 of the Complaint, Defendants are informed and believes,
 6 and therefore, on this basis, admits the allegation that Wong is a California resident and that her
 7 last known address is 88 Howard Street #809, San Francisco, California. Defendants admit that
 8 Wong has never been registered with the Commission or the State of California. Except as so
 9 admitted, Defendants deny each and every allegation contained in paragraph 19.

10 **V. FACTUAL BACKGROUND**

11 20. Answering paragraph 20 of the Complaint, Defendants admit that Tse was an
 12 employee of Pacific Best and that Pacific Best, through NICI, opened accounts for customers to
 13 trade foreign currency. Except as so admitted, Defendants deny each and every allegation
 14 contained in Paragraph 20.

15 21. Answering paragraph 21 of the Complaint, Defendants deny each and every
 16 allegation contained therein.

17 22. Answering paragraph 22 of the Complaint, Defendants admit that NICI's website is
 18 located at www.nationalinv.com and that the website stated that NICI was "the communication
 19 link between customers and Pacific Best Company Ltd" and that NICI has over 30 years of
 20 management and trading experience. Except as so admitted, Defendants deny each and every
 21 allegation contained in Paragraph 22.

22 23. Answering paragraph 23 of the Complaint, Defendants deny each and every
 23 allegation contained therein.

24 24. Answering paragraph 24 of the Complaint, Defendants admit that NICI placed
 25 advertisements for employment in the *Sing Tao* newspaper. Except as so admitted, Defendants
 26 deny each and every allegation contained in Paragraph 24.

27 25. Answering paragraph 25 of the Complaint, Defendants admit that employees and/or
 28 agents of NICI, included persons who became employees and/or agents of NICI, are or were

1 provided with training on how to trade foreign currency. Except as so admitted, Defendants deny
2 each and every allegation contained in Paragraph 25.

3 26. Answering paragraph 26 of the Complaint, Defendants deny each and every
4 allegation contained therein in their entirety.

5 27. Answering paragraph 27 of the Complaint, Defendants deny each and every
6 allegation contained therein in their entirety.

7 28. Answering paragraph 28 of the Complaint, Defendants lack sufficient information
8 and knowledge and on that basis deny each and every allegation contained therein in their entirety.

9 29. Answering paragraph 29 of the Complaint, Defendants admit that employees of
10 NICI are provided with training on how to trade foreign currency. Except as so admitted,
11 Defendants deny each and every allegation contained in Paragraph 29 in their entirety.

12 30. Answering paragraph 30 of the Complaint, Defendants deny each and every
13 allegation contained therein.

14 31. Answering paragraph 31 of the Complaint, Defendants deny each and every
15 allegation contained therein.

16 32. Answering paragraph 32 of the Complaint, Defendants deny each and every
17 allegation contained therein.

18 33. Answering paragraph 33 of the Complaint, Defendants admit that Tse received a
19 check for \$20,000 from a customer. Except as so admitted, Defendants deny each and every
20 allegation contained in Paragraph 33 in their entirety.

21 34. Answering paragraph 34 of the Complaint, Defendants deny each and every
22 allegation contained therein in their entirety.

23 35. Answering paragraph 35 of the Complaint, Defendants deny each and every
24 allegation contained therein in their entirety.

25 36. Answering paragraph 36 of the Complaint, Defendants lack sufficient knowledge or
26 information to form a belief as to their truth or falsity, and on that basis denies each and every
27 allegation contained in paragraph 36.
28

1 37. Answering paragraph 37 of the Complaint, Defendants lack sufficient knowledge or
2 information to form a belief as to their truth or falsity, and on that basis denies each and every
3 allegation contained in paragraph 37.

4 38. Answering paragraph 38 of the Complaint, Defendants deny each and every
5 allegation contained therein.

6 39. Answering paragraph 39 of the Complaint, Defendants deny each and every
7 allegation contained therein.

8 40. Paragraph 40 of the Complaint states legal conclusions to which no answer is
9 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
10 accurately characterized the law.

11 41. Paragraph 41 of the Complaint states legal conclusions to which no answer is
12 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
13 accurately characterized the law.

14 42. Paragraph 42 of the Complaint states legal conclusions to which no answer is
15 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
16 accurately characterized the law.

17 43. Paragraph 43 of the Complaint states legal conclusions to which no answer is
18 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
19 accurately characterized the law.

20 44. Answering paragraph 44 of the Complaint, Defendants admit that Wong shares an
21 address with Tse and that she was employed as an accountant for Pacific Best. Except as so
22 admitted, Defendants deny each and every allegation contained in Paragraph 44 in their entirety.

23 45. Answering paragraph 45, which merely incorporates other paragraphs of the
24 Complaint by reference, Defendants refer to and incorporate by this reference paragraphs 1 and 44,
25 of this Answer, as though set forth here.

26 46. Paragraph 46 of the Complaint states legal conclusions to which no answer is
27 required. To the extent an answer is required, Defendants deny the allegations of this paragraph of
28 the Complaint.

1 47. Paragraph 47 of the Complaint states legal conclusions to which no answer is
2 required. To the extent an answer is required, Defendants deny the allegations of this paragraph of
3 the Complaint.

4 48. Answering paragraph 48, which merely incorporates other paragraphs of the
5 Complaint by reference, Defendants refer to and incorporate by this reference paragraphs 1 and 47,
6 of this Answer, as though set forth here.

7 49. Answering paragraph 49 of the Complaint, Defendants deny each and every
8 allegation contained therein.

9 50. Answering paragraph 50 of the Complaint, Defendants deny each and every
10 allegation contained therein.

11 51. Answering paragraph 51, which merely incorporates other paragraphs of the
12 Complaint by reference, Defendant refers to and incorporates by this reference paragraphs 1 and
13 50, of this Answer, as though set forth here.

14 52. Answering paragraph 52 of the Complaint, Defendants deny each and every
15 allegation contained therein in their entirety.

16 53. Answering paragraph 53 of the Complaint, Defendants deny each and every
17 allegation contained therein in their entirety.

18 54. Answering paragraph 54 of the Complaint, Defendants deny each and every
19 allegation contained therein in their entirety.

20 55. Answering paragraph 55 of the Complaint, Defendants deny each and every
21 allegation contained therein.

22 56. Answering paragraph 56 of the Complaint, Defendants deny each and every
23 allegation contained therein

24 57. Answering paragraph 57, which merely incorporates other paragraphs of the
25 Complaint by reference, Defendants refer to and incorporate by this reference paragraphs 1 and 57,
26 of this Answer, as though set forth here.

27

28

1 58. Paragraph 58 of the Complaint states legal conclusions to which no answer is
2 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
3 accurately characterized the law.

4 59. Paragraph 59 of the Complaint states legal conclusions to which no answer is
5 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
6 accurately characterized the law.

7 60. Paragraph 60 of the Complaint states legal conclusions to which no answer is
8 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
9 accurately characterized the law.

10 61. Paragraph 61 of the Complaint states legal conclusions to which no answer is
11 required. To the extent an answer is required, Defendants deny the allegations of this paragraph of
12 the Complaint.

13 62. Answering paragraph 62 of the Complaint, Defendants deny each and every
14 allegation contained therein.

15 63. Answering paragraph 63, which merely incorporates other paragraphs of the
16 Complaint by reference, Defendants refer to and incorporate by this reference paragraphs 1 and 62,
17 of this Answer, as though set forth here.

18 64. Paragraph 64 of the Complaint states legal conclusions to which no answer is
19 required. To the extent an answer is required, Defendants deny that Plaintiffs have completely or
20 accurately characterized the law.

21 65. Answering paragraph 65 of the Complaint, Defendants deny each and every
22 allegation contained therein.

23 66. Answering paragraph 66 of the Complaint, Defendants deny each and every
24 allegation contained therein.

25 67. Answering paragraph 67 of the Complaint, Defendants deny each and every
26 allegation contained therein.

27 68. Answering paragraph 68 of the Complaint, Defendants deny each and every
28 allegation contained therein.

RELIEF REQUESTED

69. Defendants respectfully request that this Court dismiss Plaintiffs' Complaint against them in its entirety. Defendants further request that this Court Order plaintiffs to remove all references to Defendants from their public and/or internal websites and to post this Court's Order on its website.

GENERAL DENIAL

Any and all allegations of the Complaint not herein above expressly admitted, denied, or otherwise answered are hereby denied.

SEPARATE AFFIRMATIVE DEFENSES**FIRST AFFIRMATIVE DEFENSE
(Failure to State a Cause of Action)**

The Complaint, and each cause of action thereof, fails to state facts sufficient to constitute a cause of action against Defendants.

**SECOND AFFIRMATIVE DEFENSE
(Commodity Exchange Act)**

The entire Complaint, and each cause of action thereof, is barred because Defendants' did not engage in any conduct in violation of the Commodity Exchange Act.

**THIRD AFFIRMATIVE DEFENSE
(California Corporations Code)**

The entire Complaint, and each cause of action thereof, is barred because Defendants' did not engage in any conduct in violation of any provisions of the California Corporations Code.

**FOURTH AFFIRMATIVE DEFENSE
(Exemption)**

The entire Complaint, and each cause of action thereof, is barred because Defendants' conduct was exempt from regulation under the Commodity Exchange Act and California Corporations Code.

FIFTH AFFIRMATIVE DEFENSE
(Due Process)

Plaintiffs' conduct herein violated Defendant's Due Process Rights.

SIXTH AFFIRMATIVE DEFENSE
(Lack of Jurisdiction)

The entire Complaint, and each cause of action thereof, is barred because Plaintiffs do not have jurisdiction over the foreign exchange contracts at issue in this action.

WHEREFORE, Defendants pray for judgment as follows:


- That Plaintiff take nothing by way of its Complaint;
 - For Defendants' costs of suit;
 - For Defendants' attorneys' fees if and to the extent permitted by law;
- and

For such other and further relief as this Court may deem just and proper in the circumstances.

Dated: August 26, 2005

THELEN REID & PRIEST LLP

By


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NATIONAL INVESTMENT CONSULTANTS,
INC.; WEI M. TSE a.k.a. RAYMOND TSE, and for
Relief Defendant THERESA C. WONG